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The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

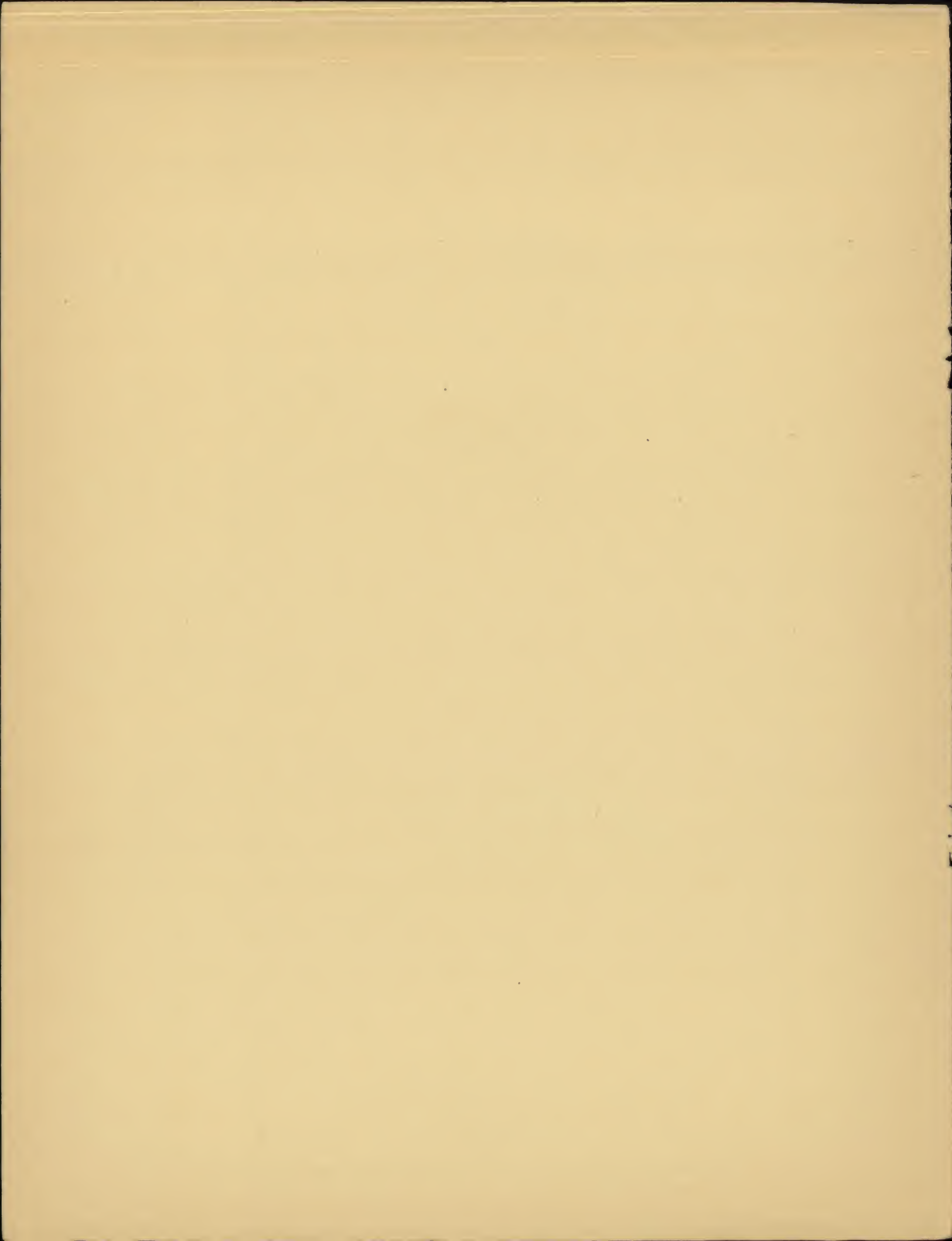
ANNUAL REPORT

For the fiscal year ended December 31, 1930

February 1931 THE BORDEN COMPANY New York

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The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES



ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1930



February 1931
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

HOWARD BAYNE
HUGH BLAIR-SMITH
LEWIS M. BORDEN
L. MANUEL HENDLER
ALBERT T. JOHNSTON

ROBCLIFF V. JONES
JOHN LE FEBER
EDWARD B. LEWIS
JOHN W. McCONNELL
ALBERT G. MILBANK

ARTHUR W. MILBURN
BEVERLEY R. ROBINSON
STANLEY M. ROSS
WALLACE D. STRACK
ROBERT STRUTHERS

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*
ARTHUR W. MILBURN, *President*
PATRICK D. FOX, *Vice-President*
ALBERT T. JOHNSTON, *Vice-President*
EDWARD B. LEWIS, *Vice-President*
MERRITT J. NORTON, *Vice-President*
WALLACE D. STRACK, *Vice-President*
GEORGE M. WAUGH, JR., *Vice-President*
WILLIAM P. MARSH, *Secretary and Treasurer*
STEPHEN J. DeBAUN, *Assistant Treasurer*
EVERETT L. NOETZEL, *General Controller & Asst. Secretary*
HERBERT W. DYE, *Asst. General Controller & Asst. Treasurer*
WALTER H. REBMAN, *Assistant Secretary*
GEORGE BITTNER, *Assistant Treasurer*

EXECUTIVE OFFICES

THE BORDEN COMPANY
350 Madison Avenue, New York City
(*Subsidiary and Territorial Offices not included*)

REGISTERED OFFICE

15 Exchange Place, Jersey City, N. J.

Transfer and Dividend Disbursing Agent, THE CHASE NATIONAL BANK OF THE CITY OF
NEW YORK, 11 Broad Street, New York City
Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City
Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

CORPORATE ORGANIZATION AND SCOPE

The business of your company falls into four general divisions. In conformity with this there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions. (See page 9 of this Report for information regarding Borden's Ltd)

The Borden Company owns 100% of the stock of these major sub-holding companies, each of which companies, in turn, owns 100% of the stock of the operating companies coming under its control.

These four major sub-holding companies are as follows:—

Borden's Food Products Company, Inc.

Food Products Group—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; casein products, caramels, mince meat, dried fruit juices, etc.

Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

Borden's Dairy Products Company, Inc.

Fluid Milk Group—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.

Business of the above nature is conducted in the States of:—

Arizona	Indiana	New Jersey	Pennsylvania
California	Massachusetts	New York	Texas
Connecticut	Michigan	Ohio	Wisconsin
Illinois	Missouri		

and in the Provinces of Ontario and Quebec in Canada.

CORPORATE ORGANIZATION AND SCOPE

[*Continued*]

Borden's Ice Cream & Milk Company, Inc.

Ice Cream Group—manufacture and sale of ice cream and allied products.

Business of the above nature is conducted in the States of:—

California	Iowa	Missouri	Pennsylvania
Connecticut	Kentucky	New Jersey	Texas
Delaware	Maryland	New York	West Virginia
Illinois	Massachusetts	Ohio	Wisconsin
Indiana	Michigan		

and in the Provinces of Ontario and Quebec in Canada.

Borden's Produce Company, Inc.

Produce Group—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale; also manufacture and sale of loaf, soft and fancy cheeses.

Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

COMMENT

ALTHOUGH the business conditions obtaining throughout 1930 had their unfavorable effect on the operations of this Company, the year nevertheless was one of marked progress.

Much was accomplished by way of further extension and diversification of Company activities.

Territorial and product diversification had a stabilizing influence, since all territories were not equally depressed, nor was the profit margin equally affected on all products.

Surplus production of raw milk; smaller per capita consumption of fluid milk and milk products, resulting in a reduced physical volume of sales; continuously falling market values of dairy products and, as to some lines, selling prices that were lower than cost savings justified, were among the unfavorable factors. The effect of these was minimized by generally lower costs of raw materials, although not of labor, and greater efficiency of operations, to which the progress made in the co-ordination of our activities contributed largely.

Sales and Net Income

Sales for the year amounted to \$345,422,778.69 and Net Income derived was \$21,681,213.55, being 6.28 per cent of sales and \$5.12 per share on all of the capital stock outstanding December 31, 1930.

The shares outstanding at the close of the year included all stock issued up to that date in payment for businesses acquired during the year, irrespective of the dates when such stock was issued. The Borden income, however, only reflects the earnings of such businesses subsequent to the dates when they were respectively acquired.

Sales and Net Income were the largest in our history. The ratio of net to gross was slightly improved over 1929, but net earnings per share showed a decrease, being \$5.12 compared with 1929 net earnings per share of \$5.50, which latter were the largest in our history. This seeming anomaly suggests the analysis which follows.

Sales and Net Income for 1930 were favorably affected by the inclusion of the operations of our 1930 acquisitions, the sales and income of which companies were not, of course, included in 1929.

Without the inclusion of these in 1930, sales value for the year would have shown a recession from 1929 because of decreased quantity volume and lower selling prices reflecting the lower costs of milk and other raw materials. Net Income would have been similarly affected for the same reasons, despite the fact that the ratio of net to gross was slightly improved over 1929.

Generally speaking, and as to the greater part of our business, we enjoyed the patronage of more customers than in 1929, but the per customer purchases were less. This condition was brought about by the extraordinary economic conditions and is temporary. There is every reason for expecting the recovery of lost sales, together with normal increases at such time as business conditions and purchasing power are restored to normal.

To properly measure the effect of 1930 conditions on sales of that year, it is necessary to make comparison with 1929 of sales for all companies included in this 1930 report, although a considerable number of these companies, now owned, were not owned and operated by this Company in 1929. Such a comparison indicates a quantity sales loss for 1930 as compared with 1929 of sufficient volume (without taking into consideration the loss of normal sales increase) which, if enjoyed, would at the 1930 ratio of net to gross have sufficiently increased Net Income to bring about a net earnings per share on all of the 4,233,395 shares outstanding December 31, 1930 at least equivalent to the net earnings of \$5.50 per share on the 3,706,724 shares outstanding December 31, 1929.

The foregoing seems to definitely establish the fact that the smaller earnings per share are attributable to uncontrollable contraction of sales. This being so, and having in mind the many other unfavorable factors in the 1930 situation, we seem to have proof that matters susceptible of control were administered in a manner to minimize the ill effect of those beyond control and that, as previously stated, marked progress was made in the development of greater efficiency and co-ordination of operations.

Net Working Capital

Net Working Capital amounted on December 31, 1930 to \$42,231,939.98 as compared with \$35,265,102.48 on December 31, 1929. Current Assets at December 31, 1930 amounted to \$2.82 for each \$1.00 of Current Liabilities, which compares with \$2.22 for each \$1.00 of Current Liabilities at December 31, 1929.

Cash on hand December 31, 1930 of \$9,820,421.50 compares with \$8,750,764.31 on hand at the close of the previous year.

Marketable Securities on hand December 31, 1930 of \$12,435,435.78 compares with \$11,354,864.09 on hand at the close of the previous year. The market value of these securities exceeds their book value.

Inventories on hand December 31, 1930 of \$25,363,285.24 compares with \$26,442,624.03 on hand at the close of the previous year. These 1930 figures, while comprehending for the first time the inventories of 1930 acquisitions, are for the most part, and as affecting major items, of smaller physical volume than at the close of 1929. All Inventories were valued at the lower of cost or market. The general Inventory position at the beginning of the current year is a good one and better than at the corresponding period a year ago.

Notes Payable of \$4,800,000.00 on December 31, 1930 compares with \$8,548,600.00 of Notes Payable on December 31, 1929, a reduction of \$3,748,600.00.

All Bond, Note and/or Preferred Stock issues of companies acquired during the year were paid off, thereby leaving the Common Stock of The Borden Company without any outstanding securities senior thereto.

Collections have not been as good as usual, but under prevailing conditions most satisfactory. Credit losses, while somewhat in excess of normal, have been more than covered by adequate Reserves created by charges to current operations. Receivables, while naturally showing an increase due to a greater number of companies, are in excellent condition.

Mortgages and Purchase-Money Notes

Mortgages and Purchase-Money Notes of \$380,582.00 at December 31, 1930, as compared with \$611,157.00 at December 31, 1929, is made up entirely of obligations assumed in connection with businesses acquired and represents the balance of such items after anticipations. These obligations will be paid off on their respective due dates.

It having always been the policy of the Company to carry a mortgage on the Office Building at 350 Madison Avenue, New York City, (a non-operating property owned by its subsidiary, the Borden Realty Corporation) thereby reducing its own equity therein, your Board of Directors deemed it wise and consistent to increase the mortgage to a total amount more in keeping with the real value of the property, thus releasing funds for general business purposes. This accounts for the increase of \$1,300,000.00 in the item of "Mortgage — Madison Ave. Office Building Property," which item has in previous reports been treated as a deduction from the asset item of "Property, Plant and Equipment."

Property, Plant and Equipment

This item stands net after adequate depreciation provision, at \$114,355,389.39 on December 31, 1930 as compared with \$103,132,210.79 on December 31, 1929.

The greater portion of the net increase in this item is due to new acquisitions, although the extension and improvement expenditures on already owned plants, together with new construction and equipment, were very large.

The Company at all times maintains its properties in excellent physical condition and constantly studies their needs, both as to capacity and efficiency.

All property expenditures are controlled by a conservative policy of accounting.

The Budget of Capital Expenditures for 1931, comprehending Extension, Improvements and Replacements, as approved by the Board of Directors, is about 12 per cent greater than the same class of expenditures for the same companies during 1930.

Expansion

The acquisitions constituting separate operating units actually made or contracted for since last reporting to our Stockholders on this subject under date of September 12, 1930, are few. These, together with others pending, will be included in the next communication on this subject.

As before stated, our 1930 acquisitions have accomplished further desired diversification and all have had stabilizing effect.

Borden Company Stock has been the consideration in practically all transactions, except for the cash involved in the retirement of outstanding Bond, Note and/or Preferred Stock issues and some few comparatively small acquisitions.

Effective January 1, 1931, our Cheese operations became a part of Borden's Produce Company, Inc., into which Company's activities such operations more logically fit.

Borden's Ltd

Expansion in the Dominion of Canada during the last two years, and more particularly the last year, has been very great.

Twenty years' Canadian experience, coupled with our faith in the future of the Dominion, actuated us in undertaking this development program.

We enjoy large sales throughout Canada and are now conducting operations at 49 Canadian points, including mostly all of the larger cities of the Dominion.

A very considerable number of our shares (between 300,000 and 400,000) are owned by several thousand Canadian citizens, and our Canadian activities are managed and conducted by Canadians.

All of this, together with our desire to be more positively identified with and part

of Canada, has led to the organization of Borden's Ltd, a Dominion Corporation having its legal residence in Toronto, Ont. Borden's Ltd owns all of the Capital Stock of all Canadian operating companies.

A dominating majority of its Board of Directors is made up of distinguished Canadians, representatives of all that is best in the business, financial and professional life of the Dominion.

Co-ordination

Our co-ordination work has steadily progressed throughout the year. The major sub-holding companies reported on particularly a year ago have already proven their value. The formation of Borden's Ltd referred to above will, undoubtedly, result in further advantages. The studies of the various Co-ordination Bureaus point to greater possibilities by way of further improvement of operating efficiency, much of which we hope to accomplish this year.

The importance of this work is so fully realized and its value so clearly demonstrated that it is receiving constant official consideration.

Trade-Marks, Patents and Good-Will

Although it is true that the trade-marks and good-will of our 1930 acquisitions are most valuable, and if capitalized would be a very sizable item, this figure remains unchanged at the close of 1930 at \$7,000,000.00. This is brought about by the fact that while in some cases, after adjustment of asset values, the net tangible assets were less than the cost of the businesses acquired, this difference was offset by other acquisitions having net tangibles in excess of their cost.

Capital Stock

Of the Authorized Capital Stock of 8,000,000 shares of \$25.00 par value each and an aggregate par value of \$200,000,000.00, there was outstanding on December 31, 1930, \$105,834,875.00, represented by 4,233,395 shares, as compared with \$92,668,100.00 represented by 3,706,724 shares on December 31, 1929.

Of the increase in outstanding Capital Stock of the Company for the year amounting to \$13,166,775.00 and 526,671 shares, 111,201 shares were issued in payment of the 3% stock dividend of January 15, 1930 and 415,470 shares were issued in payment for businesses acquired.

As in 1929, no additional stock was offered to Stockholders for subscription during the year 1930.

The stock outstanding December 31, 1930 was held by 24,383 Stockholders with an average holding of 174 shares as compared with 17,167 Stockholders with an average holding of 215 shares on December 31, 1929. Employees held on December 31, 1930 an aggregate of 964,166 shares.

The steadily increasing number of Stockholders is very gratifying to the Directors and Officers.

The Organization

Too much credit cannot be given the organization. Their tasks have been approached intelligently and vigorously. Team work, bringing about the application of collective talent and strength, has accomplished much. All of this is gratefully acknowledged.

Respectfully submitted,

ARTHUR W. MILBURN,

President.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1930

ASSETS

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Avenue and Hudson Street Office Building
Properties (Values are based on cost or on field surveys by
Company's engineers, supplemented where necessary by
independent appraisals, with subsequent additions at cost). \$171,946,789.66

LESS:

Reserves for Depreciation 57,591,400.27

NET PROPERTY, PLANT AND EQUIPMENT \$114,355,389.39

CURRENT ASSETS:

Cash	\$ 9,820,421.50	
Receivables—Less Reserve for Doubtful Accounts	17,857,429.89	
Marketable Securities (at Market or Less).	12,435,435.78	
Finished Goods (at the Lower of Cost or Market)	17,922,452.37	
Raw Materials and Supplies (at the Lower of Cost or Market)	7,440,832.87	65,476,572.41

PREPAID ITEMS AND MISCELLANEOUS ASSETS 1,211,791.11

TRADE-MARKS, PATENTS AND GOOD-WILL 7,000,000.00

TOTAL \$188,043,752.91

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1930

LIABILITIES

MORTGAGES AND PURCHASE-MONEY NOTES ASSUMED . . . \$ 380,582.00

MORTGAGE—MADISON AVE. OFFICE BUILDING PROPERTY . . . 2,700,000.00

CURRENT LIABILITIES:

Notes Payable \$ 4,800,000.00

Accounts Payable 12,022,771.09

Accrued Accounts:

Income Taxes (Estimated) 2,432,566.50

Other Items 3,989,294.84 23,244,632.43

DEFERRED CREDITS 475,339.00

TOTAL \$ 26,800,553.43

CAPITAL STOCK—THE BORDEN COMPANY:

Common (\$25. par) Issued 4,254,233 shares

Less Treasury Stock 20,838 "

Outstanding *4,233,395 " \$105,834,875.00

RESERVES:

Insurance, Contingencies, etc. 12,330,450.71

SURPLUS 43,077,873.77

TOTAL CAPITAL STOCK, RESERVES AND SURPLUS 161,243,199.48

TOTAL \$188,043,752.91

*On January 15, 1931, an additional 127,001 shares were issued as a stock dividend of 3% to stockholders of record December 30, 1930.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

*Statement of Consolidated Income and Profit and Loss
for the Year Ended December 31, 1930*

GROSS SALES			<u>\$345,422,778.69</u>
NET OPERATING PROFIT:			
(After deducting all operating charges, which include provi-			
sion for depreciation in the amount of \$9,929,480.78, insur-			
ance and property taxes)	\$	23,299,509.96	
OTHER INCOME (Less charges for interest)		819,258.95	
			<u> </u>
GROSS INCOME	\$	24,118,768.91	
OTHER DEDUCTIONS—Income Taxes (Estimated)		2,437,555.36	
			<u> </u>
NET INCOME	\$	21,681,213.55	
SURPLUS, January 1, 1930		39,206,639.67	
			<u> </u>
GROSS SURPLUS	\$	60,887,853.22	
SURPLUS CHARGES:			
Dividends—Paid during the year:			
In Cash	\$12,079,138.50		
In Stock—			
(111,201 shares \$25. par) 2,780,025.00	\$14,859,163.50		
			<u> </u>
Loss on Property and Securities Sold			
(based on cost)		731,385.50	
Adjustment of Value of Assets Acquired in			
Prior Period		617,290.41	
Appropriations to Reserves:			
Provision for profit sharing for 1930			
(Included with Current Liabilities in			
the accompanying Balance Sheet)		1,163,718.37	
Other Reserves		438,421.67	
			<u>17,809,979.45</u>
SURPLUS, December 31, 1930	\$	43,077,873.77	

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI, MANILA,
MONTREAL, HAVANA, MEXICO CITY

CABLE ADDRESS "HASKSELLS"

NEW YORK CENTRAL BUILDING
75 EAST 45TH STREET
NEW YORK

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

The Borden Company:

WE have audited your accounts and those of your subsidiary companies for the year ended December 31, 1930, or, as to companies whose businesses were completely acquired during the year, for the periods from the effective dates of acquisition to December 31, 1930.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly set forth, respectively, the financial condition of the companies at December 31, 1930, and the results of their operations for the year (or lesser periods) ended that date.

HASKINS & SELLS.

New York, February 19, 1931.

The JOHN C. POWERS CO., INC. • Printers • NEW YORK



Borden's